



## TEACH Early Childhood and Step Up to WAGES Programs Tax Information

*This handout explains the basic benefits about the TEACH Early Childhood scholarship and Step Up to WAGES programs and potential tax liability. **This document does not constitute tax advice.** Recipients should ask their tax preparer or the IRS for answers to their specific tax situation.*

IRS regulations require that AECA issue a Form 1099-NEC if the total amount from any one of the income categories or the aggregate amount from a combination of these categories adds up to \$600 or more. The NEC shall be issued since it is the appropriate 1099 form for Nonemployee Compensation. The required 1099-NEC forms will be sent to all recipients who qualify by **January 31**.

### BONUSES

Bonuses are considered “other income” and a 1099-NEC will be issued to the recipient if the total amount of funding provided to them is \$600 or more. The amount will be shown on the 1099 form you receive.

### TECHNOLOGY & TRAVEL STIPENDS

The amounts of the one-time technology stipend and travel stipend each semester are considered income and will be included on a 1099-NEC form sent to the recipient if the total received is over \$600 in one year. Any expenses such as mileage, gas or tolls may qualify as an expense. See your tax preparer.

### RELEASE TIME

Funds provided to employer-sponsors for release time are considered income, whether or not they use the funds to hire a substitute. Payments of \$600 or more would be included in a 1099-NEC prepared by the TEACH office and sent to the recipient.

### TUITION AND BOOKS

[IRS Publication 970 “Tax Benefits for Education”](#) identifies the circumstances under which a scholarship is taxable or non-taxable. Much depends on the intent of the recipient being a candidate for a degree as well as the purpose for which the funds are given, i.e. tuition vs. books, vs. travel, etc. The deductibility of educational expenses depends on whether the course of study improves skills in a current profession or if the individual is receiving training to enter a new profession. So much depends on the point of view and intentions of the recipient that it is hard to make a definitive statement. The portion of tuition and books paid by the recipient may be deductible as educational expenses if the recipient qualifies for such a deduction. Check with your tax preparer.

### STEP UP TO WAGES

Step Up to WAGES stipends are considered “other income”, and a 1099-NEC will be issued to recipients if the total amount of stipends issued in one year is over \$600. The amount will be shown on the 1099-NEC form you receive. TEACH recipients who are also a Step Up to WAGES recipient will receive one 1099-NEC form for both programs.